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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

2 August 1966

MEMORANDUM FOR THE DIRECTOR

SUBJECT: The End of "Confrontation": The Debit Side

CONCLUSIONS

A. The end of confrontation will eliminate the threat of open warfare between Indonesia and the Commonwealth, and will permit Indonesia to focus much-needed attention on its domestic affairs, especially in the economic field.

B. However, the end of confrontation will also lead to an increase of Indonesian political influence in Malaysia and to a progressive diminution of the British military and political role. These developments will tend to alter Kuala Lumpur's present pro-Western orientation, to make the Malay population more intransigent toward the resident Chinese, and to render the latter less tolerant of Malay political domination.

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C. Though Indonesia will forswear efforts to subvert Malaysia, the Djakarta regime is unlikely to abandon its long-term ambition to become the dominant power among peoples of Malay blood.

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DISCUSSION

1. Within a few weeks, Indonesia will probably officially terminate its three-year campaign of political, economic, and paramilitary harassment of Malaysia. Preliminary agreements have already been reached and there is a virtual stand-down on paramilitary activity in northern Borneo. Resumption of full diplomatic relations may require additional months or even years if Sukarno retains his present ability to obstruct a complete rapprochement. Sukarno notwithstanding, the end of confrontation will have a profound impact not only on Indonesian-Malaysian relationships per se, but on a broad range of domestic and foreign issues in both countries, and on the Commonwealth military and political position in Southeast Asia.

2. Indonesian-Malaysian Relations. The politically-dominant Malays of Malaysia and the overwhelming majority of Indonesians have a common racial, religious, and cultural background. They are not "foreign" to one another except in narrow political terms. In these circumstances, the end of confrontation will signify much more than the resumption of friendly relations between neighboring states. It will have many aspects of a family reunion,

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with both sides, especially Malaysia, eager to renew and expand previous close ties -- yet with a prospect of suspicions between the affectionate relations.

3. Inevitably -- because of its superior size, population, resources, military power, and political and cultural dynamism -- Indonesia will exert far greater influence on Malaysia than Malaysia on Indonesia. This was demonstrated in the decade or so following World War II, when the modernization of the Malay language and the considerable literary achievements of Indonesians profoundly influenced Malay youth and intellectuals, many of whom were also inspired by Indonesian revolutionary heroes and impressed by Indonesia's standing on the world scene under Sukarno. In Malayan political life, Indonesian influence was strong among religious fundamentalists who advocated an Islamic state and suppression of the country's large Chinese population, and among ultra-nationalists who would achieve domination of the Chinese of Malaya and Singapore by outright union of Malaya with Indonesia. Pro-Communist Indonesians, and in some cases the Djakarta government itself, provided major assistance to many leftist Malay political groupings.

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4. The attraction of Indonesia and its ideologies for the Malay intellectual, the politically active youth, the religious extremist, and the ultra-nationalist has undoubtedly survived the period of confrontation. Even at the peak of the Indonesian campaign, Malay animosities were not great and were focussed primarily on Sukarno, Subandrio, and the Indonesian Communist Party. Once contacts between the two states are legitimized, the attraction is likely to grow as before. The process will be aided by the presence in peninsular Malaysia of more than one million persons born in Indonesia or of Indonesian parentage. There will be at least two new features in the political currents flowing from Indonesia to Malaysia in the post-confrontation period: Suharto's Indonesia is unlikely to foster leftist doctrines; and anti-Chinese movements will have even stronger Indonesian support.

5. In concrete terms, what will the revival of Indonesian influence mean for Malaysia? In the short term, it probably means a strengthening of pan-Malay and anti-Chinese tendencies, and increased electoral appeal for Malay parties and factions opposed to the present system of "multiracial" government. Similarly, it would indicate increased domestic opposition to a reasonable

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Malaysian accommodation with Chinese-dominated Singapore.

Indonesian influence also means increased Malay opposition to the British military and political presence and to major British economic interests as well; over the longer run, it will tend to weaken Malaysia's Commonwealth ties.

6. The British Role. Even without Indonesian urgings, of course, certain of the above trends are likely to materialize in the post-confrontation years. Malaysia remains a quasi-dependency of the former mother country, a situation unlikely to be tolerated by the rising generation of Malay politicians. Paradoxically, the splendid British performance in defense of Malaysia over the past three years has contributed to Malay sentiment for a UK military reduction.

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hurriedly expanding its own armed forces and expects to take over the ground defense of Sarawak and Sabah within three to six months of the end of confrontation. The British plan to withdraw all infantry except a few units to be kept in the Brunei protectorate and nearby Labuan Island. Both London and Kuala Lumpur want the British contingents in Borneo to be moved out of Malaysia entirely.

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8. For their part, the British are obviously anxious for financial reasons to cut troop strength in the Malaysian region as rapidly as possible to pre-confrontation levels -- i.e., from the present 50,000-60,000 to about 15,000-20,000. In Malaysian eyes, however, the maintenance of even this limited British force much beyond 1970 or 1971 seems unlikely. Similarly, the Malaysians realize that they cannot expect sufficient British financial assistance to meet their own expanded force and equipment goals. They will doubtless step up their pressures on the US (and, secondarily, Australia and New Zealand) for military assistance.

9. The Overseas Chinese, Singapore, and Borneo. The exacerbation of "the Chinese question" may be the single most unsettling consequence of the end of confrontation. In peninsular Malaysia, in Singapore, and in Sarawak and Sabah as well, over

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4 million ethnic Chinese are apprehensive as Malaysia prepares to embrace an Indonesian regime pervaded by dislike and suspicion of all Chinese. It seems likely that some Chinese fears will be realized. Singapore will not have an easy time in its commercial dealings with Indonesia and Malaysia. There could be retrogression in the movement toward multiracial government in Kuala Lumpur. And in Sarawak and Sabah, ethnic Chinese hopes for a proportionate share in the administration could be dashed. In sum, Malaysia is less likely than before to enlist the loyalties of its Chinese residents.

10. In the short term, neither peninsular Malaysia nor Singapore is likely to go up in flames because of Chinese disaffection. In the peninsula, the existing conservative Chinese leadership will probably retain its "low posture" to avoid provoking Malay leaders. The Chinese of Singapore will probably continue to support Lee Kuan Yew's patient and conciliatory approach to survival in a hostile milieu, though some frustrated Chinese youth may turn toward more radical solutions.

11. Sarawak presents a more critical problem. Its pro-Communist underground terrorist organization is sizable and is

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supported by tens of thousands of rural and urban Chinese. If Kuala Lumpur attempts to deny the Chinese a legitimate political role in local and national affairs, the insurgent movement would gain recruits. The clandestine Communist organization has received training and arms from the Indonesians, but it also derives doctrine and probably guidance from Communist China. In any event, the end of confrontation is most unlikely to lead to abandonment of its insurrectionary plans. In fact, the withdrawal of Commonwealth forces from Borneo could be a signal for the start of another "war of national liberation" in Southeast Asia.

12. Indonesia and Borneo. Though Indonesia will publicly forswear confrontation and will probably abandon the bulk of its paramilitary activities, it will almost certainly continue its efforts to subvert Sarawak, Sabah, and Brunei. There is still sentiment in Indonesian military and political circles for achieving some sort of condominium with Kuala Lumpur over northern Borneo, if not for evicting the Malaysian government completely. To keep the possibility open, the Indonesians are likely to continue to support, though in secret, a variety of Borneo liberation groups and leaders, and even some of their erstwhile

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allies among the Sarawak Chinese. They could use disorders they themselves had encouraged as an excuse for intervening in northern Borneo.

13. In the immediate aftermath of confrontation, the Suharto government will focus on domestic problems of political organization and economic rehabilitation. Nevertheless, the Indonesian leaders do view themselves as the rightful leaders of the Malay realm -- from southern Thailand through the Philippines -- and the successors of Britain and the US as the paramount power in the area. For the present, the Philippines are out of their reach. It is almost certain, however, that Indonesian ambitions in Malaysia will not be forgotten when Sukarno's version of confrontation ends.

FOR THE BOARD OF NATIONAL ESTIMATES:



Acting Chairman

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